

DRAFT

AGENDA ITEM #5588

WATER/JPT/MXK/EYC/jlj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION NO. W-4600

May 11, 2006

R E S O L U T I O N

(RES. W-4600), LAKE ALPINE WATER COMPANY, INC. (LAKE ALPINE). ORDER AUTHORIZING AN INTERIM RATE BASE OFFSET REVENUE INCREASE, SUBJECT TO REFUND OR INCREASE, PRODUCING AN INCREASE IN GROSS ANNUAL REVENUES OF \$76,202 OR 23.8%.

SUMMARY

Lake Alpine requested a general rate increase by draft advice letter accepted by Water Division (WD) on September 8, 2005. WD's staff is recommending an interim ratebase offset increase producing additional annual revenue of \$76,202, or 23.8% for test year 2005.

BACKGROUND

Lake Alpine is a class D water utility operating in Bear Valley and vicinity in Alpine County and serves approximately 470 residential and business customers. Lake Alpine filed a general rate case (GRC) on August 29, 2005, and requested authority under §VI of General Order 96-A and §454 of the Public Utilities Code to increase rates for water service to produce additional revenues of \$151,900 or 51.4% in test year 2005. Lake Alpine's request shows 2004 gross revenues of \$309,631 at present rates increasing to \$468,731 at proposed rates to produce a return on rate base of 13.40%.

Lake Alpine's present rates became effective on January 12, 2006, pursuant to Res. No. W-4581 which authorized a Consumer Price Index-Urban (CPI-U) increase subject to refund or increase. The last general rate increase became effective July 8, 1999 pursuant to Res. No. W-4157.

WD recommends an interim rate increase, pursuant to Section VI of General Order No. 96-A and Section 454 of the Public Utilities Code to increase rates to offset the cost associated with capital improvements put into service in 2005. The 300,000-gallon water tank project costs \$246,234 and meter installations costs \$122,462. The revenue requirement for the capital improvements is \$76,202 or 23.8% from the current authorized revenue including the CPI-U increase.

NOTICE AND PROTESTS

Notice of the proposed general rate increase was mailed to customers on September 23, 2005. Since the ratebase offset increase is a component of the general rate increase, no separate notice is required. No protests were received by the Commission.

DISCUSSION

Lake Alpine has completed the construction of a 300,000-gallon water tank in 2005. The 300,000-gallon water tank project costs \$246,234 and additional meter installations cost \$122,462. The tank is necessary to have additional storage capacity for flow requirements for fire and peak-demand periods. The additional meter installations will help achieve the 2006 Water Action Plan's goal of water and energy conservation.

The Branch investigated these costs and found that they were appropriate. The only adjustment the Branch made was to remove from rate base the acquisition of additional water rights. Staff did not include the water costs of \$124,147 as reported by the utility, as part of the ratebase offset because these expenses are ongoing and the water rights issues have not been completely resolved. The total cost of the two projects translates into a combined rate base offset of \$368,696. The revenue requirement for these projects is \$77,912 or a 23.8% increase.

Service by Lake Alpine is satisfactory. There are no Commission orders requiring system improvements nor are there any service problems requiring corrective actions. The utility has been filing annual reports as required.

Staff has recommended that the increase in revenue be distributed through the service charges in interim basis since there are still some unresolved issues pending in connection with the sales and water supply. The revenue increase is reflected in the revised Schedules Nos. 1A, Annual Metered Service; 2AR, Annual Residential Flat Rate Service; and 4, Private Fire Protection Service. The monthly bill for an average residential customer using 10 Ccf (one Ccf equal to 100 cubic feet) of water with a $\frac{3}{4}$ -

inch meter will increase from \$48.24 to \$55.52 which is \$7.28 or 15.1%. The monthly bill for a flat rate residential customer will increase from \$53.00 to \$66.25 which is \$13.25 or 25%. In the GRC resolution, the Commission procedures with regards to rate design will be adhered to.

The WD recommends the interim ratebase offset increases and resulting rates requested in draft advice be approved subject to refund or increase to the rates found reasonable in the general rate case.

COMMENTS

This is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to PU Code 311(g) (2), the otherwise applicable 30-day period for public review and comment is being waived.

FINDINGS

1. The requested interim ratebase offset increase and resulting rates are reasonable and should be adopted.
2. The revised rate base offset for 2005 Projects is \$368,696.
3. The water rights costs of \$124,147, as reported by the utility, are not included as part of the ratebase offset because the expenses are ongoing and the water rights issues have not been completely resolved.
4. The revenue requirement for the storage tank and meter installation projects is \$76,202 or a 23.8% increase.
5. The Commission finds, after investigation by the Division, that the rate increase hereby authorized is justified, and the resulting rate increase is just and reasonable.
6. This is an uncontested matter subject to the public notice comment exclusion provided in the Public Utilities Code Section 311(g) (3).

THEREFORE IT IS ORDERED THAT:

1. Lake Alpine Water Company, Inc. is authorized to make effective the revised schedules No. 1A, Annual Metered Service, No. 2AR, Annual Residential Flat Rate Service, and No. 4, Private Fire Protection Service, attached to this resolution, and to concurrently cancel its presently effective rate schedules. The effective date of the new schedules shall not be earlier than five days after the effective date of this resolution.

2. The rate base offset increase authorized in this resolution is subject to refund or increase to the Commission-approved final rates in the Lake Alpine Water Company Inc.'s pending general rate increase request.
3. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on May 11, 2006; the following Commissioners voting favorably thereon:

STEVE LARSON
Executive Director

Schedule No. 1A

ANNUAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service furnished on an annual basis

TERRITORY

Bear Valley tracts, and vicinity located about three miles west of Lake Alpine, adjacent to State Highway 4, Alpine County

RATES

Quantity Rate:

All water, per 100 cu. ft..... \$ 1.91

| | | Per Meter Per Year | |
|-----------------|-----------------------|-----------------------|-----|
| Service Charge: | | | |
| For | 3/4 inch meter..... | \$ 437.07 | (I) |
| For | 1-inch meter..... | 604.10 | I |
| For | 1 1/2-inch meter..... | 848.42 | I |
| For | 2-inch meter..... | 1,084.61 | I |
| For | 3-inch meter..... | 1,907.34 | I |
| For | 4-inch meter..... | 2,640.06 | (I) |

The annual service charge is applicable to all metered services. It is a readiness to serve charge to which is added the charge for water used during the billing period computed at the Quantity Rate.

SPECIAL CONDITIONS

1. The annual service charge applies to service during the 12-month period commencing January 1 and is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, he may elect, at the beginning of the calendar year, to pay prorated service charges in advance at intervals of less than one year (monthly, bimonthly, or quarterly) in accordance with the utility's established billing periods.

Schedule No. 1A

ANNUAL METERED SERVICE
(continued)

SPECIAL CONDITIONS

2. The opening bill for metered service, except upon conversion from flat rate service, shall be the established annual service charge for the service. Where initial service is established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by the one three-hundred-sixty-fifth ($1/365$) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If a service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due the customer.

(D)

3. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

(L)

Schedule No. 2AR

ANNUAL RESIDENTIAL FLAT RATE SERVICEAPPLICABILITY

Applicable to all flat rate water service furnished on an annual basis.

TERRITORY

Bear Valley tracts, and vicinity located about three miles west of Lake Alpine, adjacent to State Highway 4, Alpine County.

RATES

| | Per Service Connection <u>Per Year</u> | |
|--|---|-----|
| For a single-family residential unit including premises..... | \$ 795.00 | (I) |
| For each additional single-family residential unit on the same premises and served from the same service connection..... | \$ 343.67 | (I) |

SPECIAL CONDITIONS

1. The above flat rates apply to service connections not larger than 3/4-inch diameter.
2. All service not covered by the above classifications shall be furnished only on a metered basis.
3. A meter may be installed at the option of the utility in which event service thereafter will be furnished only on the basis of Schedule No. 1A, Annual Metered Service, effective as of the first day of the following calendar month. Where the flat rate charge for a period has been paid in advance, refund of the prorated difference between such flat rate payment and the service charge for the same period shall be made on or before that day.

(continued)

Schedule No. 2AR

ANNUAL RESIDENTIAL FLAT RATE SERVICE
(continued)

5. The opening bill for flat rate service shall be the established annual service charge for the service. Where initial service is established after the first day or any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by the one three-hundred-sixty-fifth ($1/365$) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due the customer.
6. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all flat rate residential water service furnished on an annual basis.

TERRITORY

Bear Valley tracts, and vicinity located about three miles west of
Lake Alpine, adjacent to State Highway 4, Alpine County

RATES

For each inch of diameter of service connection..... \$ 13.16 (l)

SPECIAL CONDITIONS

1. The fire protection service connection shall be installed by the utility and the cost paid by the applicant.
2. The minimum diameter for fire protection service shall be four inches, and the maximum diameter shall be not more than the diameter of the main to which the service is connected.
3. If a distribution main of adequate size to serve a private fire protection system in addition to all other normal service does not exist in the street or alley the premises to be served, then a service main from the nearest existing main of adequate capacity shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.